



AMERICAN FARM BUREAU FEDERATION®

600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024

ph. 202.406.3600
f. 202.406.3606
www.fb.org

June 7, 2007

The Honorable Wally Herger
United States House of Representatives
2268 Rayburn House Office Building
Washington, DC 20515

Dear Representative Herger:

Farm Bureau supports H.R. 1023, legislation to repeal the three percent withholding tax on government payments for goods and services that is scheduled to begin in 2011.

The conference report of the Tax Increase Prevention and Reconciliation Act of 2005 states that farm programs are explicitly intended to be covered by the new three percent withholding tax. For example, if a farmer or rancher would receive a \$10,000 payment for protecting streams or rivers under the Conservation Reserve Program, \$300 would be withheld from the payment. A partial list of other USDA payments on which farmers and ranchers depend that will be affected are:

- fixed decoupled commodity payments
- counter-cyclical support payments
- marketing loan gains
- dairy support programs
- natural disaster and emergency assistance programs
- conservation and environmental programs

Imposing a withholding on USDA payments will create a financial hardship on farm and ranch operations. Farm profitability and tax liability fluctuate greatly from year to year due to weather and markets, but the tax will be withheld regardless. For agricultural operations that end the year without owing taxes, the withholding amounts to an interest-free loan to the government.

The withholding also has the potential to disrupt farm and ranch business planning. Farm and ranch inputs are often purchased months before a commodity is sold. Reducing revenue by three percent of government payments could create cash flow problems and make it harder for agricultural producers to purchase the supplies they need to operate their farms and ranches.

Finally, when taxes are withheld on emergency and disaster program payments, the amount of assistance provided to farms and ranches affected by floods, droughts, freezes and other natural disasters will be reduced. Reducing emergency assistance at the time it is most needed by farmers and ranchers makes little sense.

We commend you for your leadership on this issue and stand ready to assist you in securing passage of this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Stallman'.

Bob Stallman
President